

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF A SPECIAL MEETING OF
THE BOARD OF COMMISSIONERS
MAY 18, 2005

A special meeting of the Board of Commissioners of Public Utility District No. 1 of Clallam County was held at the Carlsborg Operations Center at 110 Idea Place on the above date. The purpose of the special meeting was to reconvene the executive session that began on May 16, 2005, to reconvene the regular meeting that began May 16, 2005, and to hold a public hearing regarding proposed changes to the water rates.

Commissioners present were: Hugh E. Simpson, Jr., President; W.E. Purser, Vice President; and Hugh Haffner, Secretary.

Staff present were: Dennis Bickford, General Manager; Shelley Burgett, Assistant General Manager and Treasurer/Controller; Mike Kitz, Water and Wastewater Systems Superintendent; and Carol Biss, Executive Assistant.

Others present were: Carol Browning, Ron Browning, Del Hawley, Peter Jensen, Patti Morris, Bill Simonsen, and Richard Terril.

The executive session that began May 16, 2005, regarding possible litigation reconvened at 9 a.m. The executive session adjourned at 9:55 a.m., and the regular weekly meeting that began on May 16, 2005, reconvened at that time.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved an Invitation to Bid for a new 1.0 MGD water treatment plant. (Bid No. 050803) Proposals will be opened June 22, 2005, at the Port Angeles office.

On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission directed General Manager Bickford to draft a resolution establishing the compensation for the General Manager. The resolution will be considered at the next meeting.

The regular weekly meeting that began May 16, 2005, adjourned at 10:03 a.m., and the water rate hearing began at that time. Assistant General Manager and Treasurer/Controller Burgett began the 2005 water rate presentation by discussing the process of setting cost-based water rates. She reviewed the water revenue requirement analysis and discussed revenue requirements, coverage ratios, reserves, and allocation of costs between various classes of service. She showed a summary of the water revenue requirements from 2005 through 2009. One recommendation from the analysis was that an overall five percent adjustment to the water rates would be prudent at this time. She then discussed the key assumptions and conclusions of the 2003 Water Cost of Service Analysis and showed the difference between revenue and allocated costs by water system. She reviewed different types of rate design and discussed a proposed rate structure that would have a four-step residential conservation rate, with the first step being 800 cubic feet or less of usage. Rates would increase with each step. She said that the decision to go to a conservation water rate design was driven by Washington State Water Planning Requirements, customer growth in an area with a limited amount of water, results of research for new water sources, and the current drought conditions. As a result of comments from customers at the May 16 meeting in Port Angeles, Ms. Burgett will study commercial accounts to see if a conservation rate should be developed for commercial customers.

A discussion about issues related to conservation rates followed. Customers asked for clarification about water rights and Washington State Water Planning Requirements. They suggested that the District consider implementing a comprehensive water conservation program and discussed educating customer about water conservation. It was also suggested that the District notify customers in advance about the increase. Other topics that were discussed included water storage, ground water recharge, and federal requirements for water for fish needs.

Ms. Burgett compared average residential water bills in the Evergreen and Carlsborg water systems using the current rates and the proposed water conservation rates. In conclusion, she said that, based on customer comments from the three public hearings about water rates, the District needs to consider the following: a conservation rate for commercial customers, residential water conservation rates with graduated increases for each rate block, a comprehensive conservation program, and customer education regarding water conservation.

There being no further questions from the public and no other business to come before the Commission, the special meeting adjourned 11:23 a.m. The next regular weekly meeting of the Commissioners will be held on May 23, 2005, at 1:30 p.m. at the Port Angeles office, 2431 East Highway 101.